Population aging in Australia: Implications for social and economic policy

Graeme Hugo

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PREFACE

This paper is one of the products of a research and teaching program, based in the School of Social Sciences of Flinders University, on the nature and policy implications of aging in Australia. I would like to express my appreciation to Flinders University and especially to the Geography Discipline for support and assistance, not just in the preparation of the present paper, but also in the establishment and continuation of the Aging Program. Sections of this paper were originally presented at the East-West Population Institute's Summer Seminar in Population in Honolulu in June 1985 and others at the session on "Aging, Social Security, and Economic Behavior" at the International Population Conference sponsored by the International Union for the Scientific Study of Population in Florence in June 1985. The current draft benefited from comments made by colleagues at both those meetings and from helpful comments of two anonymous reviewers. My grateful thanks go to my research assistants, Deborah Faulkner and Janet Matta; to the publications staff of the East-West Center; and to Jean Lange of Flinders University, who typed the various versions of the paper.

ABSTRACT Although Australia's population is in transition between the young age structure characteristic of developing countries and the old age structure characteristic of Europe, in recent years the rate of increase in the elderly population has been steeper than in almost all other developed countries. Australia's recent immigration, fertility, and mortality trends have resulted during the 1980s in an unprecedentedly rapid increase not only in the numbers of older Australians but also in the proportions they make up of the total population. Social security programs for the aged in Australia were extended and improved dramatically in the late 1970s during a period of stability or growth of the young population.

After briefly reviewing the contemporary demographic aging of Australia's population and its likely course over the next two decades, the paper examines the Australian social security system, which differs substantially from others in most developed countries, including the United States, in that it is noncontributory and historically has focused on the alleviation of poverty rather than replacement of earnings. Liberalization of the eligibility criteria for the age pension, however, has resulted in its original function being supplanted to such a degree that most elderly people view the pension as earnings replacement and a right earned by paying taxes during their working lives. The paper argues that widened access to government-subsidized or funded pensions, private superannuation, and a range of services available to the aged have influenced their behavior. In particular, it demonstrates that these changes have contributed to modifying age at retirement, migration behavior, housing, and living arrangements of the elderly.

The implications of these changes, especially for public spending, in the face of the impending very rapid growth of the aged population are just beginning to be grasped by policymakers and the community generally. This recognition has begun to produce pressure to change the social security provisions for the aged. Some of the proposed changes are reviewed and their possible effects upon the behavior and well-being of the Australian aged population are briefly addressed. It is argued that the present system, while creating the impression of availability to all, in fact disproportionately favors the better-off segments of the older population. With the likelihood that current overall per capita support for the aged is to be reduced in the face of rapid growth in their numbers, there is a danger that existing inequalities will be exacerbated, especially if a political strategy of universal, across-the-board cutbacks in provision is preferred to reductions in eligibility for support and services.

Recent immigration, fertility, and mortality trends in Australia have resulted during the 1980s in an unprecedentedly rapid increase not only in the numbers of older Australians but also in their proportion of the total population (Hugo and Wood 1984). Social security programs for the aged were extended and improved dramatically in the 1970s during a period of growth

or stability of the young population in comparison with the aged. These programs in turn were partly influential in modifying the behavior of the elderly, especially their age at retirement, migration, and housing and living arrangements. Policymakers and the wider community have just begun to grasp the economic and social implications of the rapid growth of the aged population that has begun in the 1980s and will continue in the early years of the twenty-first century, with the result that pressure is starting to build for changing the social security system for the aged. This paper reviews some of the proposed changes and their possible effects on the behavior and well-being of the Australian aged population.

AGING OF THE AUSTRALIAN POPULATION

Australia's elderly population is growing at a rate of 2.5 percent per annum, nearly twice as fast as the population as a whole. Between the 1971 and 1981 censuses the number of Australians 65 years old or older increased by one-third to 1.46 million and from 8.3 to 9.8 percent of the population. Moreover, even more rapid growth of the older population is in store. The most recent official projections suggest that by the year 2001 there could be an additional 820,300 aged persons and by 2021 the aged population could number 3,492,100, or 14.6 percent of the population (ABS 1985c). Figures 1 and 2 show that during the 1980s and beyond the 65+ population will be the fastest growing segment of the population. Table 1 indicates that the fastest overall growth in the 65+ age group is occurring in the 1980s, when it is double the rate for the total population. The growth rate of that age group will halve in the 1990s (but will still be substantially higher than that of the total population) as the smaller cohorts born in the 1930s and early 1940s enter the older ages. The rate of increase in the 65+ population will begin to rise again, however, in the first decade of the next century as the postwar baby-boom birth cohorts begin to reach older ages.

It is important to note that in Table 1 there are wide differences in the projected growth trajectory *within* the 60+ population. In both the 1980s and the 1990s the fastest rates of growth will be in the oldest age cohorts. Hence the impact of aging on demands for specialized services is likely to be exacerbated. In the first decade of the next century the fastest growth will be in what Neugarten (1974) refers to as the "young-old" age group (those between the ages of 55 and 75), under the influence of the aging of the postwar babies; nevertheless, the growth of the oldest age group will still be very high. The rapid growth of the "old-old" group, especially in the current decade, should be stressed: The 75+ population will more than double between 1981 and 2001.

Thus the age structure of the population over 65 is altering and in itself is aging. In 1901 some 75 percent of persons over 65 were between ages

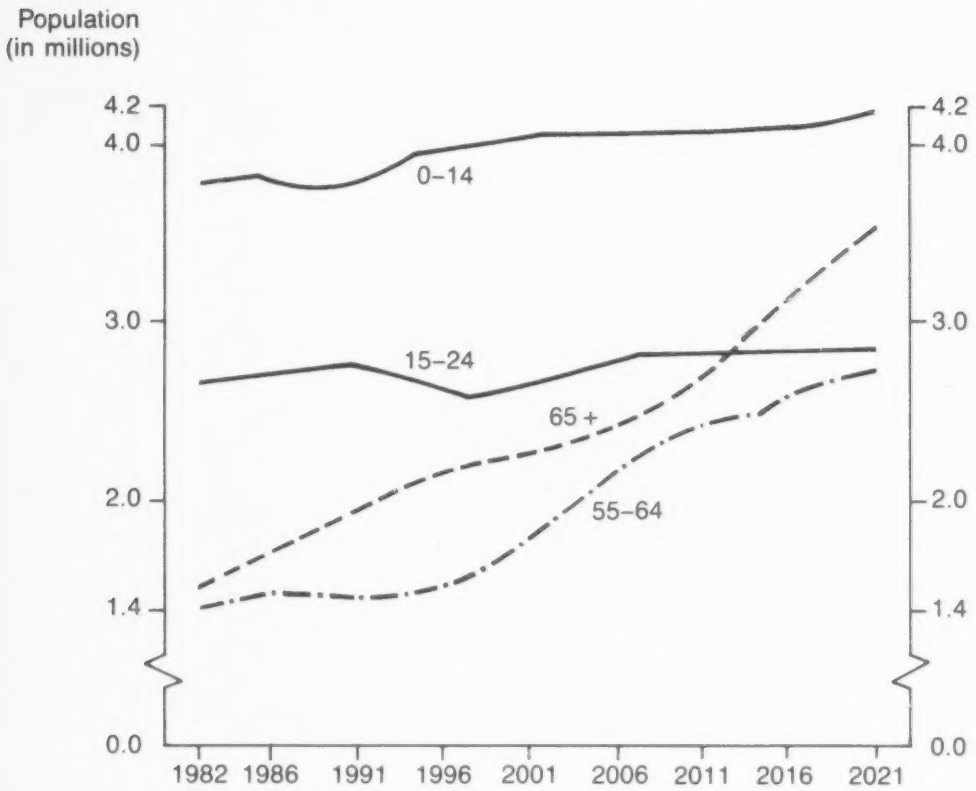

Figure 1. Projected population growth in dependent age groups: Australia, 1982–2021
Source: DIEA (1983:9).

65 and 74 and only 10 percent were older than 80 (Graycar 1981:282). By 1981 the proportion of those over 65 and under 75 had declined to 64.4 percent while the proportion 80 and over had increased to 17.7 percent. These differences in the age structure of the elderly population will continue to increase over the next forty years. In the last two decades of this century the fastest growth rates will be in the oldest age groups, so that by the year 2001 the population 75 and over will have doubled and the proportion of the population 80 and over will have increased to over 24 percent.

One of the major issues of concern as the population ages is the changing ratio of the "dependent" population (those under 15 and over 64) to those between the ages of 15 and 64. It has been feared that over the next twenty to thirty years the economically active age group (generally taken as those 15–64) will not be able to supply a large enough tax base to support the dependent age groups, especially the elderly. Aging, however, does not mean that the total burden of dependency is likely to increase. In fact,

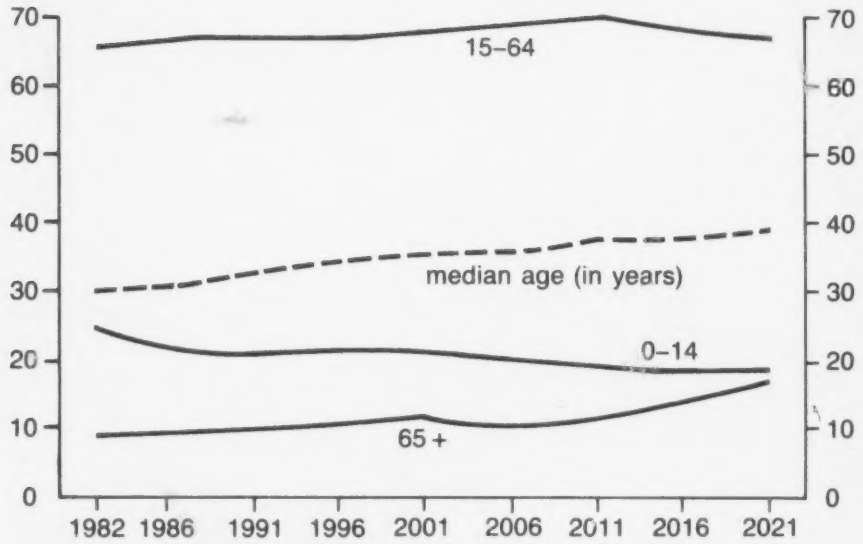

Figure 2. Projected distribution of population in broad age groups: Australia, 1982–2021 (%)
Source: DIEA (1983:10).

Table 2 shows that until the year 2011 the dependency ratio in Australia will undergo little overall change and the proportion of the population of working age will rise and not decrease. For example, in 1901 there were 64.5 people under 15 or over 64 for every 100 in the working-age group. By 1981 this ratio had fallen to 52.9, and ABS projections suggest that it will continue to fall over the next twenty years. It is evident in Table 2, however, that there will also be a gradual shift away from a dependency ratio heavily skewed in favor of children. Over the next thirty years aged dependents will be far more numerous than young dependents. Some analysts have interpreted this trend to mean that increased expenditure for the elderly can be offset by lower public costs for educating and maintaining the young. But it has been estimated that the Australian government spends 2.3 times more for an older person on average than for a young person (D. Dixon and Crompton 1983:6). It should be borne in mind that, as Betts (1984:64) points out, such accounting procedures are biased because, although most of the costs of supporting the elderly (through pensions, etc.) show up in the government ledger, the costs of bringing up children are borne predominantly by parents, especially by women. Thus for government the problem is that, whereas parents share the major economic burdens of their dependent children with government, the elderly are largely supported through government expenditures. Hence a shift in

Table 1. Projections of the older population: Australia, 1981–2011

Age group	Number (in thousands)				% change		
	1981	1991	2001	2011	1981–91	1991–2001	2001–2011
60–64	613.9	721.0	775.8	1,169.7	17.6	7.6	50.8
65–69	536.2	656.1	637.1	867.6	22.4	−2.9	36.2
70–74	401.5	503.2	599.1	645.4	25.3	19.1	7.7
75–79	260.6	358.8	482.9	469.4	48.0	25.2	−2.8
80–84	154.1	233.7	305.5	360.1	51.7	30.7	17.9
85+	102.6	149.5	234.5	301.0	45.7	56.8	28.4
65+	1,455.0	1,928.3	2,259.1	2,643.5	32.5	17.2	17.2
Total age groups	14,923.3	16,937.7	18,917.4	20,561.1	13.5	11.7	8.7

Source: ABS (1985c).

Table 2. Actual and projected dependency ratios: Australia, 1978–2011

Ratio	No. of persons 15–64 per 100				
	1978	1983	1991	2001	2021
Total dependency ratio (<15 or 65+)	55	52	50	50	48
Aged dependency ratio (65+)	14	15	17	18	19
Young dependency ratio (<15)	41	37	33	32	29

Sources: ABS (1982d: Series A Projections; 1982c: Estimated Resident Population by Age Data).

the age distribution of dependents from the young to the old in itself is going to place a great strain on the tax base.

Although the number and proportion of aged persons in Australia is increasing, Australia's population occupies an intermediate position between the demographically young age structures of developing countries, where no more than 4 percent of the population are aged, and the old populations of Western Europe, where elderly persons represent 14 or more percent of the population (PRB 1985). Figure 3 shows that, compared with most European countries, Australia still has a young population, similar to that of the United States. But in recent years the rate of increase in the population 65 years old and over has been more rapid in Australia than in the United States.

SOCIAL SECURITY FOR THE AGED

The aged pension in Australia was developed primarily to deal with the problem of poverty among the aged (Borowski 1984:2), and it was assumed

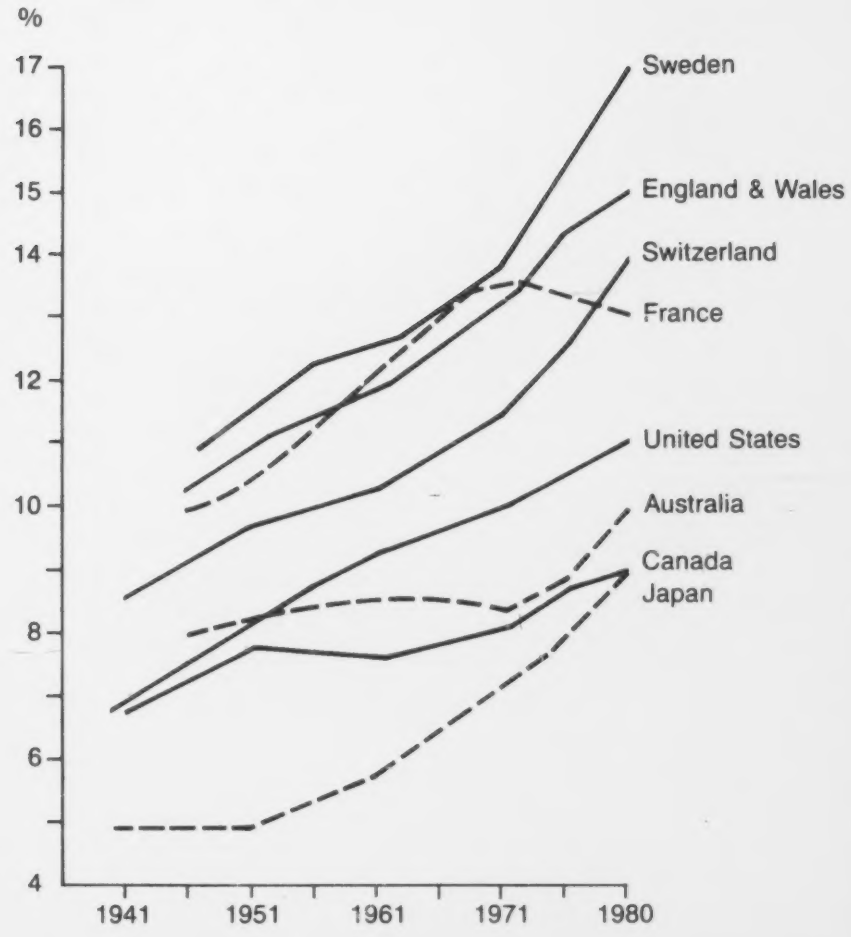

Figure 3. Percentage of the population 65 years old and over: Australia and other selected countries, 1941–80
Sources: Stone and Fletcher (1980); PRB (1983).

that economic provision for old age among the nonpoor did not require governmental intervention. Schulz (1985:6) contrasts this program approach based on means with that in the United States, where all workers in covered employment are required to participate and receive benefits as a matter of right. Schulz states (p. 9) that in Australia

> [the] focus of the age pension is on alleviating poverty and not on maintaining pre-retirement living standards into retirement through the earnings replacement of various pension schemes. Tax policies to encourage occupational superannuation schemes were seen as a way of promoting the other objective, replacement of earnings.

Australia was one of the first countries to establish an age pension scheme. Provision of cash allowances on a noncontributory basis to selected sections of the aged community dates back to 1900 (J. Dixon 1981:65).

Eligibility for social security

The Commonwealth government took over provision of aged pensions in 1909, when a pension of A$52 per annum was paid to men and women 65 years old or over provided their income did not exceed $104 per annum and their accumulated property was not valued at more than $620. The pension was reduced by $1 for every dollar of income exceeding $52 and by $2 for every $20 of property above $100 in value. As Graycar and Kinnear (1981:57) point out, the test of means has been the subject of continual debate since then. The means test was progressively liberalized in 1946, 1954, the late 1960s, and the late 1970s. In 1973 it was abolished for all people 75 and over and in 1975 for those 70 and over. In 1976 the means (including assets) test was replaced by an income test and the base pension rate became fully indexed for inflation. Hence the postwar period up to the late 1970s saw a progressive liberalization of the pension program for older Australians. The culmination of this pattern is seen in the Exhibit, which describes the eligibility requirements for government welfare pensions and relevant benefits for older people in June 1983. By the early 1980s, then, most Australians 70 years old or more who had been resident in the country for at least ten years[1] were eligible for the aged or another pension and those under 70 were subject to an income test, which has been liberalized to the extent that by 1983 some 77 percent of persons 65 to 69 years old were receiving a pension of some kind.[2]

The impact of liberalizing the eligibility criteria for pensions is reflected in Table 3, which shows that the increase in the number of persons receiving the aged pension has far exceeded the rate of increase of the aged population. The number of aged pension recipients has doubled since the 1971 census, and the proportion that they make up of the total population has increased by about three quarters, as has their ratio to the work force. Between 1973 and 1983 the annual expenditure on aged pensions increased by 448 percent—from 888 to 4,868 million dollars. The latter figure represented 3 percent of gross domestic product, 7.1 percent of all government outlays in Australia, and 10.6 percent of Commonwealth government expenditure. The proportion of older people receiving the pension has in-

1. The ten-year residency requirement has been an issue of debate, and several overseas-born ethnic groups have been lobbying to get the eligibility period reduced.
2. In mid-1984 the maximum aged pension was payable to people 65–69 years old if they earned less than $30 per week, and no pension was payable if weekly earnings exceeded $213.80 per week.

EXHIBIT Eligibility requirements for government welfare recipients: Australia, June 1983

Age pension

The age pension is provided, subject to an income test, at ages 65 (males) and 60 (females). For persons 70+ a basic pension (equivalent to the rate applied in May 1978) is paid irrespective of income. However, increments since October 1978 are subject to the same income test that applies to persons under 70. In November 1983 the differential treatment of persons 70+ was removed.

Invalidity pension

Recipients of the invalidity pension must be age 16+ and have a permanent 85 percent incapacity for work or be permanently blind. Except for persons permanently blind the pension is subject to an income test.

Service pension

The service pension is payable, subject to an income test, to veterans who served in a "theatre of war" overseas, males who have attained 60 years, and females who have attained 55 years or are permanently unemployable.

Wives' pension

The wives' pension is payable to wives of aged, invalided, or service pensioners provided the wives do not qualify for a pension in their own right.

Widows' pension

Class A widows' pension is payable to widows with at least one child. Class B widows' pension is paid to older women who do not have a qualifying child. An income test is applied.

Unemployment benefit

The unemployment benefit is designed to provide income support to unemployed persons who do not directly participate in a strike and who pass the "work test"—that is, who are willing and capable of undertaking suitable work and have taken reasonable steps to obtain work.

Sickness benefit

The sickness benefit is paid upon a doctor's certificate to persons too ill to work.

Special benefit

The special benefit is paid to persons unable to earn a sufficient livelihood to support themselves and their dependents and not entitled to any other assistance from the government.

Source: BLMR (1983:407).

Table 3. Persons receiving the aged pension: Australia, 1971–83

Age pensioners	1971 (June)	1981 (June)	1983 (Dec.)
Number	758,700	1,327,900	1,557,296
As percentage of total population	5.9	9.0	10.1
As percentage of work force	13.5	19.7	22.3
% 65–69 receiving pension	54.6	66.4	77.3
% 70+ receiving pension	70.2	93.1	97.2

Sources: DSS (1983); ABS (1982a:40–41).

creased greatly over the last decade partly as a result of a widening of the eligibility criteria for the age pension. There have also been substantial increases in the acceptance rate among aged persons who are eligible. A major shift has occurred in societal attitudes toward the pension, the proportions regarding it as a form of charity being greatly reduced and those considering it a right, earned by a lifetime of paying taxes to support earlier generations of older persons, increasing. These trends are of major concern to the community that must confront them in the immediate future.

The value of social security payments

Not only has the proportion of older persons receiving pensions increased substantially, but also the level of the pension itself has increased in real terms, as Table 4 shows. The adequacy of the aged pension for the needs of older persons in Australia is a matter of public debate. On one hand, aged pensioners are eligible for a range of other benefits (such as free medical treatment and pharmaceuticals, reduced costs for utilities and telephone, reduced public-transport fares, and council rates[3]) from federal, state, and local governments (ACIR 1983). On the other, the amount that older people are allowed to earn before their pension entitlement is reduced has been increased only three times since 1967. The Bureau of Labour Market Research (BLMR 1983:52) has shown that these latter increases have not kept pace with increases in average weekly earnings or costs. This lag has contributed to an increase in the ratio of partial to full pensions over the last decade.

The BLMR (1983:51) has plotted the changes in the replacement rate of pensions in Australia between 1965/6 and 1984 (shown in Figure 4). The replacement rate is defined as the ratio of the maximum value of the pension to average weekly earnings (either gross or net of tax). There were a

3. Council rates are annual costs levied by local governments on property owners for services they provide (for example, garbage collection and road maintenance). The rates are determined on the basis of the improved or unimproved value of the property.

Table 4. Age pension as a percentage of average weekly earnings: Australia, 1969–84

Year (ending 30 June)	Married rate		Standard rate	
	A$/week	% of average weekly earnings	A$/week	% of average weekly earnings
1969	25.00	34.4	14.00	19.3
1971	28.50	32.3	16.00	18.2
1975	60.00	38.3	36.00	23.3
1978	85.80	39.7	51.45	23.8
1981	111.10	37.8	66.65	22.6
1983	143.20	38.6	85.90	23.1
1984	153.30	39.2	91.90	23.5

Sources: ABS (1982c:41); DSS (1984, 1985).

substantial increase in both gross and net replacement rates in the early 1970s, a leveling off in the second half of the 1970s, and a slight fall in the net rate after 1978/9. Overall, during the 1970s the real value of the pensions paid to older Australians increased slightly.

In any consideration of the well-being of older persons, their wealth or income levels must loom large. Personal income of most people is cut by one-third to one-half upon retirement, and this reduction results in households headed by aged persons having considerably lower median and mean incomes than those headed by persons of working age, as Figure 5 shows. Some 80 percent of persons 65 years old and over in 1981/2 cited the government aged pension as their principal source of income. Table 5 shows that in recent years the proportion of aged persons dependent mainly upon pensions has increased marginally but the proportion dependent on superannuation funds[4] has doubled. Hence the expansion of superannuation funding in Australia in the 1960s and 1970s is starting to have an impact on the earnings of older people. The large reduction in workforce participation is evident in the dramatic fall in the proportion of older persons dependent upon wages or a salary for income.

4. An occupational superannuation scheme in Australia is a voluntary scheme to which employees may contribute on a regular basis during their working years. Employers usually subsidize the scheme on some basis. Upon retirement it provides a private pension to the contributor, who may also receive a government pension if his or her income does not exceed a specific level. Most occupational superannuation schemes allow members to retire before the compulsory retirement age and receive actuarially reduced benefits.

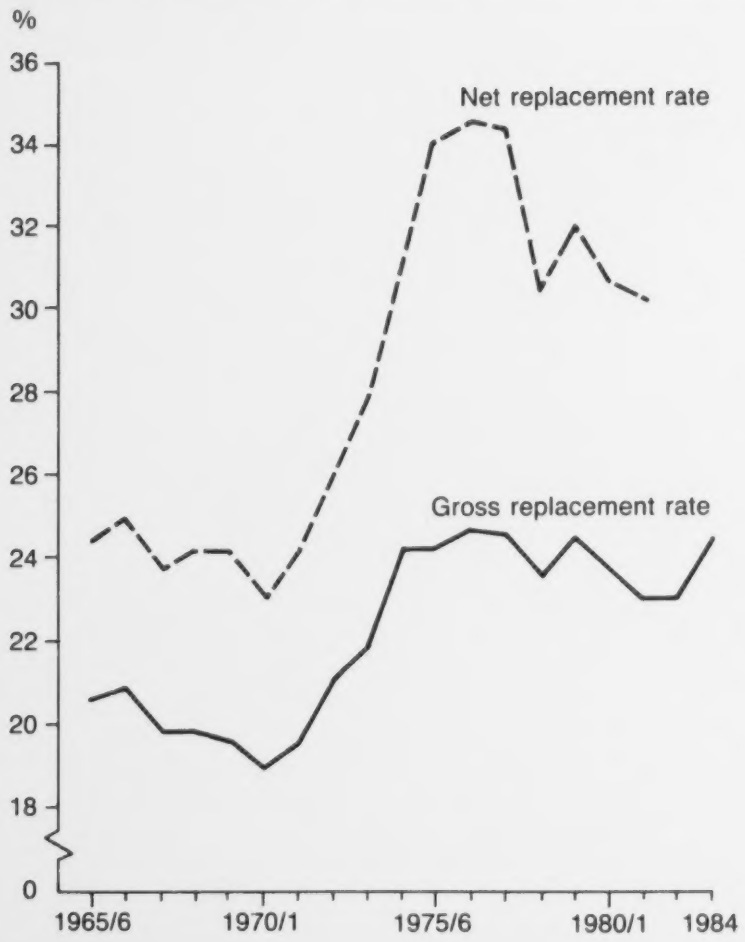

Figure 4. Pension replacement rates: Australia, 1965/6 to 1984
Sources: BLMR (1983:51); DSS (1985).

Note: The pension replacement rate is the ratio of the maximum value of the pension to average weekly earnings.

Occupational superannuation schemes

Occupational superannuation is optional in Australia and it is not available to all workers. Both employer and employee make contributions, which are not taxed like other forms of saving. Schemes are operated by private organizations and their conditions vary. The schemes enjoyed by some sectors of government workers are especially lucrative. The increased importance of occupational superannuation benefits as the major source of income among the aged (Table 5) has implications for levels of well-being in the

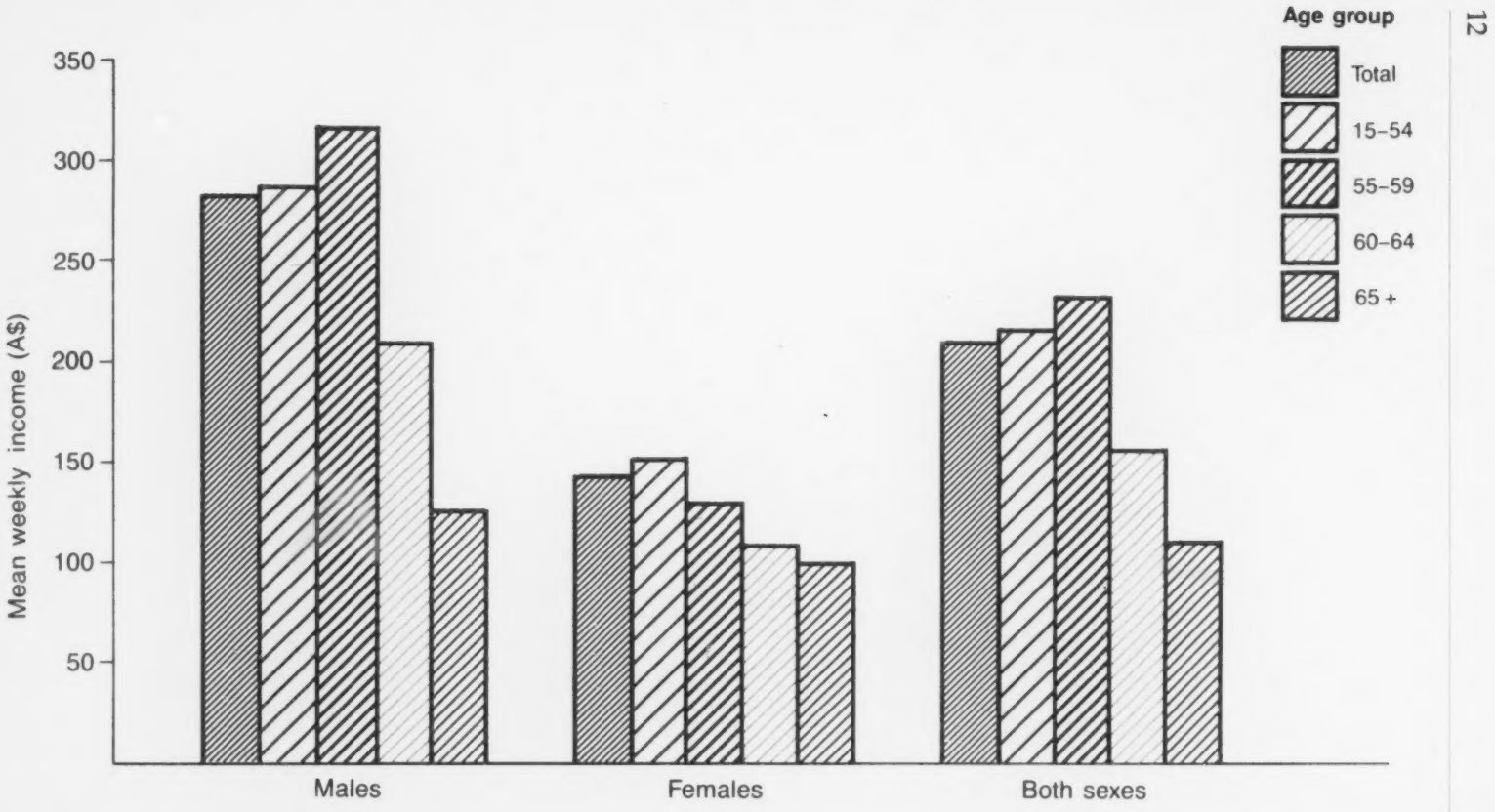

Figure 5. Mean weekly income of population, by age group: Australia, 1982
Source: ABS (1984b).

Table 5. Principal source of income for persons 65 years old and over in 1978/9 and 1981/2: Australia (%)

Principal source of income	1978/9	1981/2
Wage or salary	5.3	1.0
Own business	3.6	3.0
Government cash benefits (pensions)	78.6	79.9
Superannuation	4.6	10.6
Interest, dividends, etc.	6.5	4.8
Other	0.6	0.6
Total principal sources	100.0	100.0

Sources: ABS (1982b:35, 1984b).

older population. In recent years the coverage of occupational superannuation has expanded in Australia partly because of an increased awareness of its existence and ability of individual employees to take advantage of various tax concessions (D. Dixon and Foster 1982:3). The Australian Bureau of Statistics Income and Housing Survey of 1982 found that 45 percent of people working twenty hours or more per week were covered by some form of superannuation and another 7 percent had a life assurance policy with endowment payable on retirement (Hammond and Newton 1984:53). The survey also revealed the following trends:

- Coverage is highest in the prime earning years of 35–39 (61 percent for males, 32 percent of female workers).
- Among workers 60 years old and over 33 percent were covered (36 percent of males, 20 percent of females).
- Membership is more common in the higher earning groups.
- Sixty-nine percent of government employees are members compared with 39 percent of private employees and 30 percent of employers and self-employed groups.
- While coverage for women is lower, many working women would benefit from their husbands' entitlement if they were widowed.
- Some 303,000 people 60 or over had received a lump-sum superannuation payment since turning 50; they represented 14 percent of the total 60+ population, or around one-fifth of older-person households.

Evidence indicates membership of superannuation schemes is increasing. In 1974 the proportion of workers covered was less than 29 percent (BLMR 1983:54), less than two-thirds of the figure reported in 1982.

BEHAVIORAL CHANGES AMONG OLDER AUSTRALIANS

Each generation or cohort of older people has a distinctive composition having its origins in the unique set of circumstances that prevailed during the period when the cohort passed through crucial life stages. The Australian aged population of the year 2011 will differ considerably from the current aged population because it will have lived through vastly different events. For example, people in that cohort will have reached school-going age during the postwar expansion of education, which resulted in much higher proportions proceeding to later high school and tertiary education than had been the case with the cohorts moving into those ages in the 1920s, 1930s, and 1940s. Such factors will affect the extent to which cohorts are equipped to deal with the problems of old age and how they react to those problems.

Many of the characteristics and behavioral patterns of Australians entering the older age groups in the late 1970s and the 1980s have differed in important ways from those of earlier generations.[5] Examples of these differences are:

- More elderly people today are retiring from full-time work before the mandatory retirement age.
- More are living in their own homes longer.
- They are more likely to change their place of residence upon or during retirement.
- More have spent most of their working lives in a time of relative prosperity and have been able to accumulate assets.
- More have direct experience of places other than their community of residence through travel or ownership of holiday homes.
- More eligible persons are taking up the pension than ever before.
- More have other provisions for old age (superannuation, etc.).
- With each generation the average level of formal education is increasing.

The changing behavior of older people as new cohorts enter this stage of the life cycle has been little studied in Australia. It is reasonable to hypothesize, however, that the widening of eligibility criteria for social security and the increased social security benefits have been influential in modifying that behavior.

5. For a detailed discussion of the changing demographic, economic, and social characteristics of Australia's aged population see Hugo and Wood (1984).

Early retirement

One of the more significant changes among Australia's older population in recent years has been the dramatic reduction in work force participation by persons in the 60+ age group, and very recently declines have commenced in the late-50s age group. Table 6 shows that there has been a substantial reduction in work force participation among those in their late 50s, but most striking is the 41 percent decline in work force participation of persons 60–64. The change has been most dramatic among males; between the 1976 and 1981 censuses reductions in work force participation by men in the 55–59, 60–64, and 65+ age groups were 4, 14, and 4 percent respectively. The comparative reductions among women over the same period were only 2, 3, and 1 percent. Moreover, while male work force participation in those age groups declined consistently in the decade preceding the 1976 census, female participation increased steadily at the older ages during the entire postwar period up to 1976 (Hugo 1985). These trends are consistent with the pattern in the United States described by Waite (1981).

Although labor force participation rates among older males have been declining since 1961, the decline has been particularly dramatic since 1976 (BLMR 1983). A 1984 survey conducted by the Australian Bureau of Statistics (ABS 1985b) found that more than a fifth of males between ages 45 and 64 had retired before the generally applied mandatory retirement age[6] and that more than a half of those 60–64 had retired early (Table 7). The survey also asked persons who were currently working whether or not they intended to retire early, and the results (Table 8) suggest that the pattern of early retirement is likely to continue. Responses indicate that nearly 23 percent of workers under the retirement age have definite intentions of retiring early, whereas just over 25 percent are as yet undecided. What these findings suggest is that more than 40 percent of male workers between ages 45 and 64 and of the female workers between ages 45 and 59 will retire early, and it is highly probable that more than half of both sexes in those cohorts will retire early.

Voluntary early retirement

This trend toward early retirement has both voluntary and involuntary components. National surveys in many industrialized countries indicate that the major cause of early retirement is a deterioration of the worker's health. Results of a 1980 survey (reported in Table 9) suggest that poor health is also a major factor in early retirement in Australia. It has been argued (BLMR 1983:49), however, that poor health may be used as an excuse in some cases

6. The mandatory retirement age for Australian government employees is 65 for men and 60 for women. Most private-sector companies have followed this practice.

Table 6. Changes in the work force participation rates of the older population: Australia, 1969–84

Age group	% participation (males and females)					% change, 1969–84
	1969	1976	1978	1982	1984	
55–59	59.6	59.3	57.8	52.6	52.5	−11.9
60–64	46.1	40.8	35.3	28.1	27.3	−40.8
65+	11.8	8.8	6.8	5.3	4.6	−59.3

Sources: ABS Labor Force Surveys, Catalogue No. 6203.0.

Table 7. Persons 45 years old and over but below the mandatory retirement age who had retired from full-time work in 1984: Australia

Age group in 1984	Males		Females	
	Number (in thousands)	%	Number (in thousands)	%
45–49	24.7	6	230.2	59
50–54	39.3	10	253.5	70
55–59	80.9	21	294.8	81
60–64	184.6	59	na	na
Total age groups	329.5	22	778.5	70

Source: ABS (1985b:4).

Note: Includes some persons who had never worked full time.

na—not applicable. In Australia the retirement age for women is 60.

"as a result of invalidity pension requirements and the social acceptance of poor health as a reason for retirement." It is difficult to definitively separate the voluntary and nonvoluntary elements in the trend toward early retirement because we lack solid empirical data in this area, but it appears that voluntary factors have influenced more retirees than have nonvoluntary factors. The 1984 ABS survey of intending retirees (ABS 1985b) provides some evidence pointing in this direction. Table 10 shows that the search for more leisure time was overwhelmingly the main reason current workers gave for intending to retire early. If those responding that they had no financial need to work are included among those whose intention to retire early was voluntary, nearly three-quarters of those intending to retire early were motivated by voluntary considerations.

Of course, Tables 9 and 10 are not directly comparable because Table 9 deals with people who had already retired early and Table 10 with people still in the work force but who intended to retire early. Moreover, women were more strongly represented among the intendees than among the actually retired. Some persons intending early retirement for voluntary rea-

Table 8. Currently working persons 45 years old and over but below the mandatory retirement age who intended to retire before reaching the mandatory age: Australia, 1984

Retirement intention, sex, and age group	Number (in thousands)	%
Planning to retire early		
Males		
45–49	94.5	25
50–54	88.3	26
55–59	77.1	26
60–64	11.9	9
Total age groups	271.8	24
Females		
45–49	37.1	23
50–54	22.3	21
55–59	6.9	10
60–64	na	na
Total age groups	66.3	20
Both sexes		
45–49	131.6	25
50–54	110.6	25
55–59	84.0	22
60–64	11.9	9
Total age groups	338.1	23
Undecided (both sexes)		
45–49	159.9	30
50–54	112.9	25
55–59	78.0	21
60–64	21.8	17
Total age groups	372.6	25

Source: ABS (1985b:4).

na—not applicable. In Australia the retirement age for women is 60.

sons may develop health problems that compel early retirement. Thus Table 10 probably underestimates the proportion of respondents who will eventually retire for health reasons and overestimates the proportion who will retire for more leisure. Even allowing for the likely discrepancy between intended and actual cause of early retirement, however, Table 10 suggests that the voluntary element in early retirement is of major importance in Australia.

The Bureau of Labor Market Research has studied extensively the factors associated with the trend toward voluntary earlier retirement in Aus-

Table 9. Males 55–69 years old who retired at ages 50–64 from the full-time labor force, by age group and main reason for retiring: Australia, May 1980

Main reason for retiring	Age group[a] (%)			
	55–59	60–64	65–69	Total
Own ill health	81	58	58	62
No financial need to work	*	8	10	8
Decided not to work any more/wanted more leisure time	*	19	20	17
Family considerations	*	4	*	3
Could not get job because employers thought they were too old Could not get job because no jobs were available/unable to work	0	4	0	3
Too old	*	*	*	3
Other	*	4	*	3
Total reasons	100	100	100	100
Number (in thousands)	48.9	126.9	100.1	283.9

Source: ABS (1982b:30).

* Sample too small for estimation. a. At time of the survey.

tralia (BLMR 1983: chapter 7). Its findings and those of other researchers are summarized here.

The new generation of older people is likely to have discharged major debts such as home mortgages at an earlier age than previous generations (Hughes 1983). The reason is that this cohort lived through a period of comparative prosperity and of government-subsidized interest rates available to home buyers.

Significant shifts in leisure preferences and activity have occurred during the postwar period. One major trend has been the exponential increase in the number of people owning holiday homes in resort areas (Hugo 1986). Studies done during the 1970s showed that the rates of holiday-home ownership were especially high among people then in their 50s and that many intended to retire to those homes (Cook 1978; Hugo et al. 1981). Much of the migration of older persons to such former holiday homes is associated with early retirement.

An important factor in the increase in voluntary early retirement has been the changes in social security outlined in the previous section. Such commentators as Merrilees (1983) have argued that the increased availability and attractiveness of aged, invalid, service, wives', and widows' pensions undoubtedly have influenced the retirement decisions of many

Table 10. Persons 45 years old and over who intended to retire early from full-time work, by reason for intention: Australia, 1984

Reason for intention	Number (in thousands)	%
Ill health/injury	31.2	9
To give others a chance	11.2	3
No financial need to work	46.5	14
Decided not to work any more/want more leisure time	203.9	60
Too old	16.1	5
Family reasons	4.8	1
Employers think too old/no jobs available/ unable to get work	5.7	2
Other	20.5	6
Total reasons	340.0	100

Source: ABS (1985b:7).

Australians. The BLMR (1983:51) notes that the rise in the replacement rate of the pension (Figure 4) coincides with the fall in the labor force participation of older persons (Table 7). That the aged pension as such is available only for males at age 65 and for females at age 60 means that it could not be a factor in early retirement. Nevertheless, throughout the 1970s the proportion of males 60–64 who received invalidity pensions increased (Table 6), suggesting that among eligible people in the 60–64 age group the prospect of taking up an invalidity pension was more attractive in 1980 than in 1971. The definition of invalidity as having an 85 percent permanent incapacity for work remained unchanged over the entire period. In practice, however, it appears there was an easing of eligibility criteria in 1973 and 1976 and a crackdown in 1980 (Manning 1982:10). The major change (evident in Table 8), however, is in the proportions of males 60–64 receiving a service pension. Manning (1982:2) has summed up this argument as follows:

> . . . many workers aged 60 to 64 have weighed the attractions of a life of leisure on social security benefits against the wages and drudgery of their present job and have noticed that since 1975 the married rate of pension [that is, the rate for married persons] has been fairly steady around 38–39 per cent of average earnings. . . . Though men of this age are too young to gain the age pension, many of them in the present cohort fought in the second world war and are eligible for service pension[s] while others have known lurks [schemes] to gain an invalid [invalidity] pension.

A related factor in recent years has been the aging into their 60s of a high proportion of men who fought in World War II and hence are eligible

Table 11. Income status of males 60–64: Australia, 1971–82 (%)

	Employed			Receiving welfare					
Year	Full time	Part time	Total	Service pension	Invalidity pension	Unemployment benefits	Total	Other	Grand total
1971	72	4	76	4	7	0	12	12	100
1972	71	5	76	4	8	1	13	11	100
1973	69	4	74	6	10	1	16	10	100
1974	66	4	70	7	10	1	18	12	100
1975	61	4	65	8	11	2	21	15	100
1976	57	4	61	10	12	2	24	15	100
1977	54	5	58	12	13	2	27	15	100
1978	52	5	57	15	14	2	31	12	100
1979	48	4	52	17	15	2	34	14	100
1980	43	5	48	20	15	2	37	15	100
1981	45	4	50	21	14	2	37	13	100
1982	41	4	46	22	13	2	38	17	100

Source: BLMR (1983:42).

for full pension benefits at age 60 rather than age 65 (see Exhibit). This cohort effect has contributed to the trend toward early retirement as is evidenced in Table 11, which shows that the proportion of males 60–64 on service pensions increased more than fivefold over the 1971–82 period. As the BLMR (1983:42) points out, this increase is the result of not only a cohort effect but also a substantial increase in the take-up rates among those eligible for a service pension because of their war experience. Table 12 shows that take-up rates more than trebled among the 60–64 age group between 1971 and 1982, indicating a major behavioral change among eligible persons in that age group. The pattern suggests that, other things being equal, a reversal of the trend toward early retirement can be expected as the numbers of World War II veterans in cohorts entering their 60s decline over time.

Another element in early retirement has been the increased participation in occupational superannuation schemes, noted earlier. Superannuation should be considered with social security because the tax exemption that it receives means in effect that the government contributes substantially, if indirectly, to it (Rath 1983). Such schemes are especially important because "members of a scheme have a form of non-wage income available to them before the age of 65 for males and 60 for females" (BLMR 1983:53). This option is not equitably available across all socioeconomic groups, membership in superannuation schemes being very limited among low-income groups, manual workers, and women. Some authors have questioned whether superannuation entitlements have any more than a minor role in

Table 12. Proportion of eligible males receiving the service pension, by age group: Australia, 1971–82 (%)

Year	55–59	60–64	65+
1971	3	17	49
1972	3	18	48
1973	3	24	52
1974	3	27	58
1975	4	29	61
1976	4	35	65
1977	5	39	67
1978	6	43	66
1979	6	47	69
1980	9	52	67
1981	10	53	67
1982	10	55	77

Source: BLMR (1983:43).

encouraging early retirement (Manning 1982:12; Stricker and Sheehan 1981:186). However, a 1980 national survey of men between ages 50 and 69 showed that among those still working a higher proportion of those with superannuation than of those without intended to retire early (Manning 1982). More recently the national survey that found that nearly a quarter of current workers 45 and over and below the mandatory retirement age intended to retire early also found that among this group superannuation was the anticipated major source of income upon retirement. Table 13 shows that over 40 percent of people anticipating retirement believed that superannuation would be their major income source upon retirement. This was twice the proportion who anticipated receiving a government pension or benefit under the invalid, widow, or returned serviceperson schemes. Increased participation in superannuation schemes is thus playing a role in facilitating early retirement in Australia. Further evidence of the effect of superannuation on early retirement is found in data about the sources of income for the group influenced most by early retirement—males 60–64. Pointing to three Australian Bureau of Statistics income surveys (1968/9, 1973/4, and 1978/9), which showed no increase in the percentage of men 60–64 depending on superannuation annuities as their principal source of income, Merrilees (1983) has suggested that superannuation has little effect on early retirement. Table 14, however, presents the results of the latest ABS income survey (1981/2) and shows a quadrupling of both the numbers and the proportions of men 60–64 whose principal source of income was superannuation since the previous survey three years before.

Table 13. Persons 45 years old and over who intended to retire from full-time work early, by expected main source of income at retirement: Australia, 1984

Expected main source	Number (in thousands)	%
Superannuation	137.1	40
Life assurance and other schemes	4.6	1
Government pensions and benefits	71.2	21
Investments	55.4	16
Savings/sales of assets	12.3	4
Part-time work	12.9	4
Another person	33.5	10
Other (including "Don't know")	13.1	4
Total sources	340.0	100

Source: ABS (1985b).

Nonvoluntary early retirement

As for nonvoluntary early retirement, the explanation for its occurrence is based predominantly on the "discouraged worker" hypothesis (BLMR 1983:48). Related explanations include the following arguments:

- Older people's lower levels of education, the long time since they were trained, their lesser flexibility in responding to changes in the labor market, and their more limited mobility have meant that they have been hit harder than many groups by job losses associated with the country's economic recession and the structural shifts that have occurred in the Australian economy in recent years.
- BLMR statistics (1983:61) have revealed a concentration of older workers in declining industries (agriculture, manufacturing, and construction) that are experiencing considerable net losses of employment.
- The increased prevalence of early retirement schemes in industry may be placing pressure on older workers to retire early.
- Older workers who are unemployed find it harder to obtain employment than younger workers and may become discouraged and retire early.
- Manning (1982:3) suggests that the discouraged worker effect can cause such stress among the workers whose careers are prematurely and involuntarily terminated that they become ill enough to qualify for the invalidity pension.

Thus the trend toward early retirement in Australia has a substantial involuntary component. As the BLMR (1983:6) concludes from its detailed

Table 14. Principal source of income for males 60–64 years old in 1978/9 and 1981/2: Australia

Source of income	1978/9		1981/2	
	Number	%	Number	%
Wage/salary	156,100	29	128,300	21
Own business	22,000	4	47,400	8
Share partnership	33,100	6	0	0
Government cash benefits	252,700	46	321,300	53
Superannuation	17,400	3	77,800	13
Interest, dividends, etc.	55,900	10	30,500	5
Other	7,000	1	5,600	1
Total sources	544,200	100	610,900	100

Sources: ABS (1982b; 1984b).

study, "Evidence suggests that the size of the discouraged worker effect is such that unemployment at older ages may be many times greater than the recorded unemployment rate." Stricker and Sheehan (1981) have estimated that in 1979 nearly a third of all retired men in the 60–64 age group were "hidden unemployed" who would have remained in the work force had full employment been available to them.

Both the voluntary and the involuntary explanations for early retirement in Australia have validity (Hughes 1983; Manning 1982:11). Commentators vary in the importance they attach to each, Merrilees (1983) and Stricker and Sheehan (1981) representing the two extremes and the BLMR (1983) and Manning (1982) falling in between. Manning (1982:30), for example, concludes that "the effect of the recession has ranked equal to or stronger than the other factors which have been suggested." More recently available data presented here, however, suggest that the emphasis is now the other way around.

It is noteworthy that the voluntary and involuntary early retirees tend to be drawn from quite different groups. The voluntary retirees are likely to be drawn from the more highly paid occupations and to have superannuation and accumulated assets that allow them to pursue leisure-related activities. As a blatant example, the media recently revealed that, according to the Department of Social Security, twelve millionaires were receiving the aged pension. In contrast, involuntary retirees tend to be drawn from less well-paying occupations—especially from industries influenced by the recession and structural change, such as manufacturing—and to have less financial backup even if they are eligible for a pension on the basis of invalidity or service in the armed forces. But to characterize early retirement as being dominated by asset-rich recipients of substantial superan-

nuation payouts is to distort the situation. Many workers who retire early do so reluctantly, and to them the description of a new comfortable, healthy, leisure-oriented "young-old" class so often associated with early retirement does not apply.

Increased population mobility

Besides early retirement, other behavioral changes among the older population have been associated with the changing social security situation in recent years. Among those changes is increased population mobility. There has been rapid growth of retirement communities in resort areas, especially in coastal locations outside the boundaries but near the major cities (Hugo and Wood 1984). Similarly, within the major cities retirement villages and housing specifically targeted for the older population have proliferated (Armstrong 1984). These developments have produced the common view that the elderly—traditionally the least residentially mobile age group in the Australian population (Rowland 1983)—are moving in greater numbers. Unfortunately, the limited age-specific migration data available in Australia make it difficult to assess whether or not this is the case.

A migration question was included in the 1971 Australian census for the first time, so that we do not have substantial time-series information on mobility rates. The government conducts an annual internal migration survey of a multistage area sample of two-thirds of 1 percent of the national population, and the mobility rates derived from surveys taken between 1970 and 1984 are shown in Table 15. The annual mobility rates for the older ages show substantial fluctuations from year to year, which undoubtedly reflect the relatively small numbers of older persons detected and the limitations of the sampling procedure.[7]

Some indication of an increase in residential mobility among the older population is provided by comparing five-year migration data from the 1971 and 1981 censuses. Table 16 shows a small but significant increase in the proportion of persons in their late 50s and early 60s whose place of residence five years preceding the census had been different. These data are undoubtedly more reliable than those from the national migration survey and suggest that a substantial increase had occurred in the residential mobility of people in the retirement ages. Casual observation would suggest

7. Cluster or block sampling techniques such as those used in the Australian Internal Migration Survey are notoriously poor in detecting spatially concentrated phenomena, especially among small subgroups of the population. In this case not only are the aged spatially concentrated, but also aged persons who had moved in the last year are concentrated within particular localities. The wide annual fluctuations of aged annual mobility rates shown in Table 15 confirm the unreliability of the survey data in measuring trends in mobility rates among the aged.

Table 15. Mobility rates, by age group: Australia, 1970–84

Year	15–19	20–24	25–34	35–44	45–54	55–64	65+	Total
1970	170	351	238	113	78	68	60	154
1971	172	364	229	118	79	74	62	156
1972	168	368	231	118	77	69	55	156
1973	177	389	266	137	85	81	77	175
1974	192	375	256	140	87	78	64	172
1977	167	377	250	123	82	60	55	162
1978	183	386	240	123	81	72	59	165
1979	173	370	233	123	84	67	55	160
1980	179	380	254	125	80	68	59	167
1981	183	368	250	129	90	80	59	168
1982	184	360	287	123	80	62	50	160
1983	167	366	237	119	80	57	46	154
1984	183	356	259	140	86	74	48	168

Sources: Cook (1980:1); ABS Internal Migration Surveys, Catalogue No. 3408.0.
Note: The mobility rate is the number of movers per year per 1,000 persons.

Table 16. Five-year migration rates of older persons documented by the 1971 and 1981 censuses, by age group: Australia

	% at different place of residence five years earlier		
Age group	1971	1981	Difference
55–59	23.1	24.5	+1.4
60–64	23.2	24.8	+1.6
65–69	23.4	23.7	+0.3
70+	23.4	23.5	+0.1
Total persons 55+	39.4	42.9	+3.5

Sources: ABS (1971, 1981: unpublished data).

that this tendency has accelerated in the four years since the 1981 census, and for that reason migration data from the 1986 census will be eagerly awaited. In sum, Australia appears to be moving toward levels of aged population movement found in the United States. A comparison of age-specific mobility rates between Australia and the United States, Great Britain, and Japan showed that around 1970 only the U.S. older population had higher levels of mobility, 8.4 percent moving annually there compared with 6 percent in Australia (Long and Boertlein 1976:9). The U.S. level was also higher in the more mobile 55–64 age group (9 percent compared with 6.8 percent).

According to the 1981 Australian census, migration was deemed to have occurred if a person's permanent place of residence on 30 June 1981 was

different from that one or five years previously. This definition, however, excludes another important element in the mobility of the older population: temporary, often seasonal, migrations. The elderly are not tied to a single place of residence by employment considerations and can spend substantial periods of the year at a second place. In the United States there is considerable evidence of this form of bilocality among the aged, especially with the "snowbirding" of older people from the winters of the Northeast and Midwest to the sunbelt states of Florida, Arizona, etc. (Krout 1982; Sullivan and Stevens 1982). In Australia, despite fewer detailed case studies, it is clear that such seasonal movements occur, especially from the southern states northward to Queensland. Hence at the 1981 census Queensland had some 66,000 persons who were not at their permanent place of residence (3 percent of the total population), whereas Victoria had 86,000 absentees (2.2 percent of the total population). The census revealed considerable variation between age groups in the proportion of persons who were not at their usual place of residence. It can be seen in Table 17 that two groups were disproportionately represented among visitors, young adults and the older, retired segment of the population. Much of this temporary mobility of the older population appears to conform to the pattern of "snowbirding" in the United States. It differs from more permanent movements in that the majority of moves are nonlocal and many are interstate.

Table 18 shows substantial variation among the states in the proportions of older persons not at their normal place of residence on the night of the census. Most prominent are the high proportions in all older age groups in Queensland. Queensland had high proportions of people of all ages absent from their usual place of residence on the night of the census because the data of the 1981 census fell within a Queensland school vacation period (Barker and Reinders 1983:4). This coincidence could hardly have had a major impact upon the older population, however, nor does it explain the interstate variations shown in Table 18.

The presence in Queensland of some 60,700 visitors (13.6 percent of the total) who were 55 years old or older on the night of the census reflects the seasonal northward movement of older persons from the winter chills of the south. That movement is reflected also in the low incidence of census-night "visiting" among the older population of the southeastern states (especially Victoria), indicated in Table 19. It should be noted that a greater proportion of older persons were not at their usual place of residence on the night of the census than were classified as having migrated during the last twelve months.

Seasonal mobility of the aged has been neglected in studies of the aged in Australia. However, it is occurring on an increasing scale and is of importance for several reasons. First, it may produce quite substantial seasonal

Table 17. Percentage of persons, by age group and sex, not at their usual place of residence on the night of the census: Australia, 1981

Age group	Males	Females
0–4	4.2	4.7
5–9	4.2	3.9
10–14	4.2	4.7
15–19	7.1[a]	6.1[a]
20–24	8.9[a]	8.0[a]
25–29	7.7[a]	5.6[a]
30–34	6.7[a]	5.1
35–39	6.2[a]	3.8
40–44	5.3	3.4
45–49	5.5	4.0
50–54	5.1	4.3
55–59	5.4	5.5[a]
60–64	6.6[a]	6.9[a]
65–69	7.5[a]	7.6[a]
70–74	7.4[a]	8.1[a]
75+	6.3[a]	8.2[a]
Total age groups	6.1	5.5

Source: ABS, 1981 census, One Percent Sample of Persons.

a. Above the average percentage for all age groups.

Table 18. Percentage of older persons, by state and age group, not at their usual place of residence on the night of the census: Australia, 1981

State	55–59	60–64	65–69	70–74	75+
New South Wales	5.5	6.6	6.8	7.5[a]	7.8[a]
Victoria	3.7	4.1	4.7	3.4	5.7
Queensland	13.2[a]	12.6[a]	16.1[a]	15.6[a]	11.4[a]
South Australia	4.5	3.1	4.8	4.6	5.9
Western Australia	8.4[a]	8.1[a]	5.9	6.3	5.8
Tasmania	5.9	4.8	5.9	*	8.1
Total states	6.4	7.0	7.8	7.3	7.6

Source: ABS, 1981 census, One Percent Sample of Persons.

Note: Territories excluded because sample too small for estimation.

* Sample too small for estimation.

a. Above the average percentage for that age group.

Table 19. Age distribution of holiday home owners in a sample survey conducted in 1981: Port Elliot and Goolwa District Council (N = 150)

Age group	% of holiday home owners
⩽34	4
35–39	6
40–44	9
45–49	12
50–54	24
55–59	18
60–64	12
65–69	6
70–74	4
75+	4

Source: Hugo (1981:26).

shifts in demand for various goods and services for the aged population in the areas of both origin and destination. Second, it may be the first stage of a move that ultimately becomes permanent. Or it may constitute a compromise between moving permanently and staying permanently at the place of origin, permitting the "snowbird" to maximize benefits at both origin (maintenance of links with family, friends, and relatives) and destination (escaping the cold climate, enjoying the climatic and recreational resources of a resort area). More investigation of this form of mobility is needed from census sources and detailed field surveys.

The increase in temporary mobility among the aged in Australia over the last decade is associated with several developments, some of which have been discussed above. These developments include the following:

- The economic position of many among the retired population is better than that of their predecessors. Their working years occurred during a period of economic prosperity that allowed them to accumulate assets, high levels of superannuation coverage, and increased social security coverage and value. In this context it should be noted that in Australia all pensions and superannuation payments are completely portable.
- The lower age at retirement means that many people have not only the means to pursue leisure activities away from their usual place of residence but also the health to do so. As shown earlier, the chief reason people stated for planning early retirement is to increase their leisure activity. In many cases this would involve some form of seasonal migration.

- Today's retirees have traveled more widely and had greater experience of other places than earlier generations owing to the revolution in transport technology, widespread access to that technology, and the growth of tourism in postwar Australia. Thus they have much more knowledge of alternative places for recreation and leisure.
- The generally higher levels of residential mobility have meant that it has become more common for a retiree's children to live a considerable distance from their parental home. There is evidence (e.g., Downie 1980) that many elderly people move in order to live closer to their children and grandchildren.
- The current generation of older people is much more likely than the last to own a second or holiday home at a resort area. Table 19 shows a typical age distribution of holiday home owners in a coastal resort area near the Adelaide Metropolitan Area and the predominance of persons in their 50s and early 60s.[8] The 1981 census recorded only 113,911 unoccupied dwellings classified as holiday homes (2.44 for each 100 occupied private dwellings). Since the actual number of second homes is much larger,[9] the potential number of retirees engaging in extended temporary moves to holiday homes is considerable.

Consideration here of more permanent migration among the aged will be brief because it is dealt with in detail elsewhere (Hugo and Wood 1984). It can be seen from Table 15 that mobility rates for the young-old population are similar to those for the old-old. The two groups generally move for different reasons, however. Among the young-old most movement tends to be voluntary and occurs disproportionately among the better-off. Its main influences are recreational opportunities, climate, and other environmental considerations; unforced housing adjustments such as a desire to be closer to relatives, friends, or to move to what is perceived as more appropri-

8. Several other studies confirm this pattern (e.g., Cook 1978).
9. The Australian census does not collect direct data on holiday homes. In recent years, however, it has detected a large number of unoccupied dwellings (Hugo 1986: chapter 7). The unoccupied private dwelling category includes all structures built specifically for living purposes and capable of being lived in but not occupied on the night of the census (30 June). The census is collected on a de facto basis, and dwellings can be classified as vacant because they are newly completed, awaiting demolition or repair, to let, simply vacant on the night of the census, or holiday homes. Holiday homes have been differentiated from other unoccupied dwellings only since the 1961 census. Because individual enumerators have to categorize unoccupied dwellings, there is considerable scope for error. Moreover, it is likely that many holiday homes are occupied on the night of the census, although the timing of the census (in midwinter outside of public holiday periods) perhaps minimizes this likelihood in the southern states. The holiday-home data from the census therefore must be considered a substantial underestimate of the extent of second-home ownership in Australia.

ate types of housing (e.g., from houses to flats or units); and forced housing adjustments—for example, the necessity of trading down in the housing market because of lower income. Among the old-old, in contrast, the moves are less voluntary and more are influenced by widowhood or onset of disability and chronic illness requiring an adjustment in location or type of housing.

It is apparent from Table 16 that the major increases in mobility have occurred among the young-old, thus suggesting that voluntary factors have assumed greater importance in recent years. Some evidence supports this hypothesis. The explanations presented earlier for the increase in temporary mobility hold equally for the increase in more permanent moves among the aged. In particular it appears that more and more older people who are comfortable economically and in good health are taking advantage of being able to live away from their former place of work. There can be no doubt that the search for a more congenial recreational and living environment has produced an increase in residential mobility among the aged. This mobility can occur among older people who are shifting from large urban areas to coastal suburban areas upon retirement (see, for example, Downie 1980; Rudd and Hugo 1984) or to nonmetropolitan resort areas (Prinsley et al. 1979; Murphy 1975). Table 20 shows that more than 10 percent of movers in 1984 who were in the early retirement and retirement age groups reported that retirement was the reason for their move. In contrast, retirement was a response so rarely given by respondents to the 1970 ABS Internal Migration Survey that it was not coded as a separate category of reason for moving (ABS 1974:12).

The patterns of internal migration among elderly persons in Australia recorded by the 1981 census, especially migration undertaken upon retirement, differ somewhat from those of the total population. They have been described in detail elsewhere and can be summarized as follows:

- Among interstate migrants (10.4 percent of movers 50–59 years old and 9.2 percent of movers 60+), the pattern is dominated by two cells in the origin–destination matrix—those of movement from New South Wales and from Victoria to Queensland, which account for one-third of all interstate moves. If the reciprocal flows are included, the proportion increases to 44 percent of all interstate movements of the age 60+ population. This northward movement of retirees to a more equable climate, a movement similar to that from the East Coast and Midwest of the United States to Florida and other southern states, is a well-known phenomenon.
- The major metropolitan areas of Sydney and Melbourne experienced net losses of the over-50s through net migration of 41,078 and 38,409 respec-

Table 20. Percentage of persons 15 years old and over who changed usual residence, by reason for moving: Australia, year ending 30 June 1984

Reason for moving	15–54	55–64	65+	Total age groups
Housing	59	56	57	58
Employment	20	11	0	19
Change in marital status	9	0	0	8
Retirement	0	12	11	1
Other	12	19	27	13

Source: ABS (1985a:12).

tively. The heaviest net losses in the 1960s were among the 60+ age group, whereas those during the 1970s tended to be among persons 50–59. This shift supports a hypothesis that much of the movement among the aged from capital cities occurs immediately upon or soon after retirement, and it has thus lowered the age groups of elderly movers between the 1960s and the 1970s as a result of the trend toward earlier retirement.

- Survey evidence suggests that this type of retirement migration is dominantly toward resort areas or places where the children of the retirees are living. Quite different patterns are observed in the capitals of the smaller states, where net migration gains of aged persons are prevalent. These gains are much less dominated by the young-old than are the Sydney and Melbourne losses—probably as a result of movement to the state capital city to take advantage of specialized medical, housing, and other services not available in nonmetropolitan locations.
- Another significant type of region characterized by migration of the aged is that "adjacent" to a major city. Such areas, where substantial net migration gains of retirees have been recorded, have long been favored by retirees seeking a more congenial nonmetropolitan environment but retaining access to the facilities, family, and friends in the city proper in which they previously lived and worked.
- Of particular significance has been migration of older persons to environmentally favored areas further away from the major cities, but still within the closely settled belt along the southeastern and eastern coasts. Net gains of older migrants, many of them substantial, are the norm in statistical divisions along the east coast, especially in Queensland and New South Wales. Although retirement migration to coastal areas is most striking, there also have been gains in some environmentally favored inland areas. For example, in Victoria several of the attractive centers, especially in the more mountainous areas and along the River Murray, have drawn

retirees. Wait (1979), for example, in a survey of retirees who had moved to Mildura, found that 35 percent came from Melbourne, 32 percent from elsewhere in the local region, and 24 percent from outside the state. The dominant reasons given for moving to the area were to join friends or relatives, better climate, and health.

- More remote nonresort areas of Australia, however, are still experiencing substantial net losses of older persons. Hence, although there are plenty of Australian equivalents (on a smaller scale) to the U.S. retirement migration to Florida, there are no equivalents to the desert resort retirement centers found in Arizona and Nevada. The sparsely settled, inland arid regions, with their dry farming and grazing, have little attraction for the aged. These regions are much more remote and isolated from large metropolitan centers than desert communities in Arizona and Nevada and are really comparable only in ecological setting.
- As for migration of the aged *within* large Australian cities, little detailed information is available, but the research that has been done has demonstrated that by far the most important component of growth of local aged populations is "aging in place" and that in most metropolitan local government areas net migration plays only a minor role in the growth of aged populations (Hugo, Rudd, and Downie 1984).

These patterns are reflected in Table 21, which shows the distribution of various types of move in Australia in 1984 by age of the movers. It shows an overrepresentation of movers in the early retirement years in the metropolitan to nonmetropolitan flows both within and between states. This pattern reflects the importance of movement of the older population to particular nonmetropolitan locations. Most of this movement is influenced by amenity, environmental, climatic, recreational, and leisure considerations, which have assumed greater importance with the increase in voluntary retirement. The behavioral changes that accompany voluntary retirement can be expected to increase in importance in the 1980s. Writing about the United States, Wiseman (1979:35) states that in the near future

> as a group the elderly are expected to be relatively more affluent and, therefore, more able to afford the financial costs of migration. They will have had more frequent travel and vacation experiences, have higher levels of educational attainment, and consequently will have greater awareness of relocation opportunities. Furthermore, their social networks will be more diffused regionally as a result of earlier migrations of their peers and family members.

This statement applies equally to Australia. As with early retirement, however, this is a behavioral change that favors higher income groups and does not impinge upon the poor.

Table 21. Persons 15 years old and over who changed their usual residence, by type of move and age group: Australia, year ending 30 June 1984 (%)

Type of move	15–54	55–64	65+	Total age groups
Intrastate				
Within metropolitan areas	53.9	53.3	52.0	53.8
Within nonmetropolitan areas	31.9	25.0	26.7	28.6
From metropolitan to nonmetropolitan areas	4.6	7.9	4.4	4.8
From nonmetropolitan to metropolitan areas	4.1	4.9	3.8	4.2
Interstate				
Between metropolitan areas	3.6	2.8	4.7	3.5
Between nonmetropolitan areas	1.6	*	*	1.6
From metropolitan to nonmetropolitan areas	1.7	3.3	5.4	1.9
From nonmetropolitan to metropolitan areas	1.6	*	*	1.6

Source: ABS (1985a:16).

* Sample too small for estimation.

Housing

Little space remains to examine changes in housing patterns among the older population in Australia during the last decade. These changes have been considered in detail elsewhere (Hugo and Wood 1984). Today there is considerable debate and concern in Australia about the lack of intermediate accommodation available to the aged between two extremes: the detached three-bedroom house in which the aged originally raised their children, and some form of institution. Government expenditure has been overwhelmingly on institutional care, which in 1982/3 accounted for $886 million of Commonwealth government expenditure, while only $77 million was allocated to home care and domiciliary services designed to assist aged people to live independently as long as possible (Parliament of the Commonwealth of Australia 1982). Considerable pressure is now being exerted to redress this imbalance, and it is reflected in Table 22, which shows that Commonwealth government expenditure on all home-based programs increased by 38 percent between 1983/4 and 1984/5.

Proportionately more older people are adjusting their housing to the particular circumstances of old age than has been the case in the past. As

Table 22. Recent trends in Commonwealth expenditure on home and community care programs: Australia

Type of expenditure	Australian dollars (in millions) 1983/4	1984/5
Home and community care program[a]	na	10.0
Home help for veterans	na	1.9
States Grants (Home Care) Act[b]	24.9	33.7
Home help	na	na
Senior citizens' centers	3.9	7.0
Welfare officers	2.7	3.0
Grants for home care in the Northern Territory and the Australian Capital Territory[b]	0.2	0.7
Delivered meals subsidy[b]	5.6	6.8
Home nursing subsidy[b]	22.8	27.1
States Grants (Paramedical Services) Act[b]	1.4	1.5
Subtotal	61.5	91.8
Domiciliary nursing care benefit	25.9	28.9
Total	87.4	120.7

Source: Joint press statement of ministers for Social Security, Health, and Veterans' Affairs, 21 August 1984.

na—not applicable because program did not exist in that year.

a. The Commonwealth commitment over the three years 1984/5 to 1986/7 is estimated to be in excess of $300 million, including 1984/5 funding of programs expected to be replaced by the new program.

b. Currently envisaged as being incorporated within the new Home and Community Care Programme.

Table 20 shows, a large proportion of aged movers became movers for housing-adjustment reasons. Older people have greater variety in their living arrangements than any other major life-cycle group in the population (Hugo and Wood 1984). This variety is reflected in the types of housing structures that they occupy. In addition to the increased incidence of institutionalization with old age there is, as Table 23 shows, a tendency for old people to move from a separate house, the dominant type of structure, to a flat (apartment). This tendency has become more pronounced over the last two decades. Table 23 indicates that, among older household heads residing in private dwellings, since the 1966 census the proportion living in separate houses has declined, while the percentage in flats has increased. The reasons are fairly clear: Family size is reduced as couples enter the "empty nest" stage of the life cycle, the elderly have a reduced physical capacity to maintain large dwellings, and, in some cases, their reduced financial circumstances lead them to "trade down" in housing.

Table 23. Changes in types of dwelling among household heads 55–64 and 65+ years old residing in private dwellings: Australia, 1966–81

Type of dwelling	Ages 55–64			Ages 65+			Both age groups		
	1966	1976	1981[a]	1966	1976	1981[a]	1966	1976	1981[a]
House	87	82	84	84	76	76	85	79	80
Flat	10	16	16	12	22	24	11	19	19
Other	3	2	0	4	2	0	4	2	1

Sources: Kendig (1982:23); ABS, 1981 census, One Percent Sample of Households.

a. Data for 1981 are derived from the One Percent Sample of Households, not the complete census count, and hence are subject to sampling error.

Part of the change in types of dwelling among older household heads, depicted in Table 23, is due to the public housing authorities. For example, over the period between 1977/8 and 1982/3 the proportion of the South Australian Housing Trust's (SAHT) dwelling starts that were made up of cottage flats for rental to older people increased from nearly 4 percent (71 out of 1,871) to 35 percent (773 out of 2,175). Approximately 60 percent of all cottage flats are let to existing SAHT tenants who move to them from larger family-type houses. Between 1977 and 1984 applications to the SAHT from aged persons increased by 166 percent, more than twice the overall increase in applications of 74 percent. Nevertheless, in 1983 the average waiting time for cottage flats was three years and two months (Bethune 1983).

The private sector has also been active in the housing industry but has concentrated overwhelmingly on the upper end of the socioeconomic spectrum. Its market is seen to consist of early retirees with substantial savings, superannuation, and cash from sale of the family house. The proliferation of retirement villages and small groups of units and apartments for older people is not well documented (Armstrong 1984), but it represents a major behavioral shift in housing preferences among the Australian aged population that has been influenced by the improved economic situation of a substantial section of the retiring population and by the phenomenon of early retirement.

AGING AND GOVERNMENT SPENDING

The most recently available Australian Bureau of Statistics projections suggest that there will be an additional 1 million Australians of pensionable age (males 65+ and females 60+) by the year 2001 and that almost another 2 million will be added in the subsequent two decades. By the year 2021 the pensionable group's proportion of the total population is projected to be between 17.5 and 18.6 percent, depending on the fertility, mortality, and net immigration assumptions used, compared with the 1981 figure of 11.9

percent. The extra demands that pensions alone are going to place on government resources can be appreciated when it is considered that in 1981 some 77 percent of persons eligible by age actually were receiving a pension.

The rapid growth of the aged population will also place great demands on public spending in other areas—especially health. Elsewhere (Hugo 1984) social and economic implications of the growth of the aged population are traced. Assuming that the 1977/8 incidence of chronic health conditions among the elderly will apply over the next three decades and that the most recent ABS population projections will hold, Table 24 shows the likely pattern of increase in numbers of people suffering from chronic conditions. More than 1 million older Australians had chronic conditions in 1981, and 207,400 of them had conditions that confined them to bed or the home. The projections suggest that their numbers will increase by 84 percent over the next three decades while the total population grows by only 38 percent. This huge projected increase in elderly people suffering from chronic illness is a function not only of the overall rapid growth of the aged population but also of a shift in the distribution within the aged population that will result in a greater increase in the population 75 years old and over. The higher incidence of chronic illness among the 75+ group will exert even greater pressure on health delivery systems than expected from the overall increase in the 65+ population.

A 1981 ABS Survey of Handicapped Persons defined a handicap as a limitation in relation to five types of activity—self-care, mobility, communication, schooling, and employment. It found that of 1.3 million aged persons living in private households nearly 28 percent were handicapped to some degree, while of the 81,500 in institutions (handicapped persons' homes and hostels, hospitals, nursing homes, and retirement homes and villages) 89 percent were handicapped. In total one-third of all persons 65 years old and over had disabilities that restricted their daily activities. In 1981 some 450,900 persons 65 and over were handicapped, and this number is expected to nearly double over the next three decades (Table 24). The 1977/8 Australian Health Survey (ABS 1981) confirmed that aged persons consult a doctor more frequently on average than people in other age groups: Slightly more than 30 percent of aged persons had consulted a doctor in the two weeks preceding the interview and 70 percent in the three months preceding the interview; the respective figures for the population under age 65 were slightly more than 16 and 45 percent. On average, persons 70 years old and over had received 11.5 medical services per year.

The aging of the Australian population raises a major policy question about the funding of health services. The data presented in Table 25 indicate the substantially greater costs of providing health care for the elderly. With the doubling of the 75+ population that appears certain to occur within

Table 24. Projected increases in the number of aged persons with chronic health conditions, limiting chronic conditions, and handicaps, by age group: Australia, 1981–2011 (in thousands)

Types of condition	65–69	70–74	75+	Total 65+
Chronic conditions				
1981	391.4	317.2	424.2	1,132.8
1991	478.9	397.5	630.6	1,507.0
2001	465.1	473.2	838.8	1,777.1
2011	633.3	509.9	927.0	2,070.2
% change, 1981–2011		+82.8		
Limiting chronic conditions				
1981	32.2	33.3	141.7	207.2
1991	39.4	41.8	210.7	291.9
2001	38.2	49.7	280.3	368.2
2011	52.0	53.6	309.8	415.4
% change, 1981–2011		+100.5		
Handicaps				
1981	114.2	106.3	230.4	450.9
1991	139.7	133.3	342.2	615.2
2001	135.7	158.8	455.2	749.7
2011	184.8	171.0	503.1	858.9
% change, 1981–2011		+90.5		
% change in total population, 1981–2001		+26.8		

Source: Hugo (1984).

Notes: Projections are based on assumed net migration gain of 75,000 persons per annum (ABS 1985c: Series A & B). Incidence of chronic conditions and handicaps is based on 1977/8 and 1981 surveys conducted by ABS and assumed to remain constant throughout the projection period.

the next three decades the pressure on health costs is going to be great.

Although the ratio of aged to non-aged persons is substantially more favorable in Australia than in most other developed nations, the current public costs of providing for the aged are immense. Rath (1983:61) has estimated that in 1983 some A$8–9 billion was spent on retirement income for the aged. This included $4.6 billion from the government in the form of age pensions, $500 million in government-financed occupational superannuation schemes, and $2–3 billion indirectly as revenue forgone by the Commonwealth government in the form of tax concessions for superannuation schemes. These costs do not include the expense of specialized hospital, medical, and housing assistance schemes for the aged. Rath (1983:62) estimates that if the public costs of supporting the aged increase at the same rate over the next four decades as they did over the last decade, the cost

Table 25. Estimated average hospital and community health expenditure per capita, by age group: Australia, 1981/2

Age group	Expenditure per capita (Australian dollars)	% of average for total population
0–15	$ 95	36
16–24	134	50
25–39	173	65
40–49	181	68
50–54	271	102
55–59	392	147
60–64	498	187
65–69	623	234
70–74	726	273
75+	1,825	686
Total population	266	100

Source: Social Welfare Policy Secretariat (1984).

in constant 1981/2 Australian dollars will be at least 10 times present costs—and over that time the number of Australians of working age available to pay the benefits for each aged person will decrease from 7 to 4.5. Although this projection is an exaggeration of the situation, it does point out the approaching crisis in public funding for support and services to the aged population, especially if current eligibility criteria are maintained.

The government's aim at present is to increase the pension to 30 percent of average weekly earnings. Yet if the increase were given to 85 percent of people of pension age as at present (Table 26), the proportion of the employed population's earnings that would have to be transferred to the aged would increase from 6.6 percent (the proportion in 1981) to 12.1 percent in the year 2030. Such a greatly increased taxation burden on the working population would be politically difficult to impose, and the government will be (and indeed is being) forced to look closely at the option of reducing the proportion of persons who receive the pension by raising the eligible age.

SUMMARY AND CONCLUSIONS

Australia's system of providing retirement income differs substantially from that in most other developed countries. It is a noncontributory, flat-rate, income-tested, pension system. It represents, however, only a part of public funding for the aged, which includes direct, substantial provision for health care, housing, and other fixed costs like utilities and also indirect support through revenue forgone in taxation concessions to superannua-

Table 26. Projected percentages of total employed population's earnings needed for age pension under pay-as-you-go system: Australia, 1981–2030

Year	Pension = 25% of weekly earnings		Pension = 30% of weekly earnings	
	Paid to 85% of pension-age persons	Paid to 70% of pension-age persons	Paid to 85% of pension-age persons	Paid to 70% of pension-age persons
1981	5.5	4.5	6.6	5.4
1991	6.1	5.1	7.4	6.1
2001	6.3	5.2	7.6	6.2
2011	7.2	5.9	8.6	7.1
2021	8.8	7.5	10.6	8.7
2030	10.1	8.3	12.1	10.0

Source: Rath (1983:62).

tion schemes. Historically, governmental provision for the aged in Australia has been intended largely to alleviate poverty among the aged. In recent years, however, the provision has been increased and extended to a much wider spectrum of the population. Moreover, the public has increasingly viewed the provision as a right earned by paying taxes during a working lifetime. The expanded provisions and services to the elderly have had an influence on patterns of early retirement, population movement, and housing among the aged. A substantial number of current pension recipients who are financially well off are receiving a disproportionate share of benefits because they receive superannuation as well as the government pension and other entitlements.

The demographic and economic outlook in Australia is such that pressure on public funding for provision of services for the aged will increase greatly over the coming decades. Faced with this pressure, the Australian government has the following options: to increase taxation revenue from the employed population, to freeze or reduce the base level of benefits, and to restrict eligibility for benefits. It is likely that taxpayers will resist major increases in budgeting outlays that maintaining the present pattern of provision will involve. Dixon and Thame (1984) have documented these likely increases. However, any freezing or reduction of the existing aged pension levels would enormously disadvantage those groups not receiving superannuation unless they had other sources of income or major assets such as a house. The current system has tended to move away from a needs principle and is in danger of becoming inequitable in its provisions.

Understanding of these issues has been slow in coming in Australia, and the electoral unpopularity of cutting back on eligibility for pensions

and other benefits has militated against remedial action. Since 1983, however, the government has taken various initiatives in relation to the aged pension and occupational superannuation. These have included:

- the reintroduction of an income test for the age pension, which was previously available to all persons 70 years old and over (1983)
- the reintroduction of an assets test for the aged pension, which has affected some 50,000 pensioners (1985)
- the introduction of substantially higher taxes on lump-sum occupational superannuation payments (1983)
- the tightening of eligibility provisions for war-service pensions (1985)
- a ceiling since 1977 on the amount of additional money that pension recipients have been allowed to earn and still receive the pension

These measures produced a storm of protest, and subsequently the government backed off from fully enforcing several of them. Thus far the restrictions have affected only small numbers of older persons; but the government has strongly reaffirmed its intention to concentrate public resources on aged persons who are in need, and more restrictions on public provisions for the better-off elderly could follow. It is to be hoped that future restrictions will not take the form of an across-the-board freezing or reduction of services, which would greatly disadvantage elderly persons living in or near poverty. A preferable approach will involve greater emphasis on equity and provision on the basis of need; such an approach would inevitably involve some contraction of the eligibility criteria for benefits. It remains to be seen whether the recent restrictive initiatives and other possible future measures will modify further the behavioral patterns of the aged with respect to early retirement, population movement, and housing.

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